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April 23, 2013

To whom it may concern:

Fiscal year 2011 has been restated to recognize net patient service revenue, contractual adjustments and reimbursement of self-insurance expenses related to Upper Payment Limit (UPL) grants and stop loss insurance recoveries that were due to the District at September 30, 2011, but not recognized at that date. The restatement increased previously reported 2011 total current assets, total assets, operating income and changes in net assets by approximately \$454,000.

Sincerely,

Sam Ellard, Chief Financial Officer

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JUL 17 2013

# REISSUE

Parishwide Hospital Service District,  
A Component Unit of Concordia Parish Police Jury d/b/a  
**Riverland Medical Center**

Accountants' Report and Financial Statements

September 30, 2011 and 2010

**BKD**<sup>LLP</sup>  
CPAs & Advisors

Parishwide Hospital Service District,  
A Component Unit of Concordia Parish Police Jury d/b/a  
**Riverland Medical Center**  
September 30, 2011 and 2010

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**Independent Accountants' Report on Financial Statements  
and Supplementary Information**

Board of Directors  
Parishwide Hospital Service District,  
A Component Unit of Concordia Parish Police Jury d/b/a  
Riverland Medical Center  
Ferryday, Louisiana

We have audited the accompanying balance sheet of Parishwide Hospital Service District, a Component Unit of Concordia Parish Police Jury d/b/a Riverland Medical Center (the District) as of September 30, 2011, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the District as of and for the year ended September 30, 2010, were audited by other accountants whose unqualified report dated February 14, 2011, on those statements included an emphasis paragraph regarding substantial doubt about the District's ability to continue as a going concern.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parishwide Hospital Service District, a Component Unit of Concordia Parish Police Jury d/b/a Riverland Medical Center and its changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in *Note 2*, the previously issued 2011 financial statements have been restated. Our previously issued report on those financial statements dated March 22, 2012, is no longer to be relied upon because the previously issued statements were materially misstated, and that report is replaced by this report on the restated 2011 financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*BKD, LLP*

March 28, 2013

**Parishwide Hospital Service District,  
A Component Unit of Concordia Parish Police Jury d/b/a  
Riverland Medical Center  
Management's Discussion and Analysis  
Years Ended September 30, 2011 and 2010**

***Introduction***

This management's discussion and analysis section of the annual financial report of Parishwide Hospital Service District, a Component Unit of Concordia Parish Police Jury d/b/a Riverland Medical Center (the District) presents background information and our analysis of the District's financial performance during the fiscal years ended September 30, 2011 and 2010. Please read it in conjunction with the financial statements in this report.

***Financial Highlights***

**2011**

- The District's total net assets increased by approximately \$696,000 from 2010 to 2011, or 22%. This was mainly due to improved financial performance, increased net patient service revenue and a reduction in total operating expenses.
- Operating income (loss) increased approximately \$1,594,000 in fiscal year 2011. Operating income was approximately \$153,000 in 2011, compared to an operating loss of approximately \$1,442,000 in 2010. In fiscal year 2011, net patient service revenue increased approximately \$2,055,000, while total operating expenses increased approximately \$434,000.
- Cash and cash equivalents increased by approximately \$127,000, or 53%, from 2010 to 2011, as a result of improved cash collections from patients and third-party payers.
- At the end of the 2011 fiscal year, the assets of the District exceeded liabilities by approximately \$3,877,000 and by approximately \$3,181,000 at the end of fiscal year 2010. Of this amount, approximately \$1,313,000 and \$119,000 (unrestricted net assets) may be used to meet ongoing obligations to the District's employees, patients and creditors; while approximately \$2,564,000 and \$3,062,000 at September 30, 2011 and 2010, respectively, are invested in capital assets, net of related debt.

**2010**

- Total assets increased by approximately \$186,000 in 2010, compared to 2009. In fiscal year 2010, the 2007 uncompensated care reimbursement was audited, and approximately \$220,000 of this liability was reversed.
- During fiscal year 2010, the District's total operating income increased approximately \$299,000 over fiscal year 2009. Changes in accounting principles changed the elements included in operating revenues. Grants are now included in either nonoperating revenues or as

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capital grants. This reclassification greatly affected the 2009 operating income amount. The District had operating losses of approximately \$898,000 and \$1,197,000 in fiscal years 2010 and 2009, respectively. Capital grants of approximately \$213,000 and receipts of approximately \$326,000 from sale of a minority interest of a home health company were realized as nonoperating revenues in fiscal year 2010.

- Net patient service revenue increased in fiscal year 2010 by approximately \$1,390,000, with a corresponding increase in expenses of approximately \$1,077,000. Increases in charge master rates and outpatient volume contributed to the net patient service revenue increase in 2010.
- The District had net assets of approximately \$3,181,000 as of September 30, 2010, which represented a decrease of approximately \$356,000 from 2009. This was mainly due to decreases in cash receipts from patients and third-party payers.

### ***Overview of this Annual Financial Report***

This annual financial report consists of three components – the independent accountants' report, management's discussion and analysis and the audited financial statements.

The financial statements of the District report the financial position of the District and the results of its operations and its cash flows. The financial statements are prepared on the accrual basis of accounting. These statements offer short-term and long-term financial information about the District's activities.

The balance sheets include all of the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the District's creditors (liabilities) for both the current and prior years. They also provide the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the statements of revenues, expenses and changes in net assets. These statements measure the performance of the District's operations over the past three years and can be used to determine whether the District has been able to recover all of its costs through its patient service revenue and other revenue sources.

The primary purpose of the statements of cash flows is to provide information about the District's cash flows from operating, investing and financing activities. The statements of cash flows outline where the cash comes from, what the cash is used for and the changes in the cash balance during the reporting period.

The annual report also includes notes to financial statements that are essential to gain a full understanding of the information provided in the financial statements. The notes to financial statements can be found immediately following the basic financial statements in this report.

Parishwide Hospital Service District,  
A Component Unit of Concordia Parish Police Jury d/b/a  
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**Management's Discussion and Analysis**  
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***Financial Analysis of the District***

The balance sheets and the statements of revenues, expenses and changes in net assets report information about the District's activities. Increases or improvements, as well as decreases or declines in net assets, are one indicator of the financial state of the District. Other nonfinancial factors that should also be considered include changes in economic conditions, population changes (including uninsured and working poor) and new or changed government legislation.

***Balance Sheets***

A summary of the District's balance sheets is presented in the following table:

***Table 1: Assets, Liabilities and Net Assets***

	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>Variance 2011-2010</b>	<b>Variance 2010-2009</b>
<b>Assets</b>					
Current assets	\$2,703,750	\$2,588,749	\$2,772,906	\$ 115,001	\$ (184,157)
Capital assets, net	3,698,085	4,256,133	3,914,890	(558,048)	341,243
Other assets	<u>327,917</u>	<u>297,206</u>	<u>268,078</u>	<u>30,711</u>	<u>29,128</u>
Total assets	<u>\$6,729,752</u>	<u>\$7,142,088</u>	<u>\$6,955,874</u>	<u>\$ (412,336)</u>	<u>\$ 186,214</u>
<b>Liabilities</b>					
Current liabilities	\$2,094,552	\$3,057,918	\$2,894,616	\$ (963,366)	\$ 163,302
Long-term debt	<u>758,501</u>	<u>903,625</u>	<u>524,453</u>	<u>(145,124)</u>	<u>379,172</u>
Total liabilities	<u>2,853,053</u>	<u>3,961,543</u>	<u>3,419,069</u>	<u>(1,108,490)</u>	<u>542,474</u>
<b>Net Assets</b>					
Investment in capital assets, net of related debt	2,564,017	3,061,766	2,977,168	(497,749)	84,598
Unrestricted	<u>1,312,682</u>	<u>118,779</u>	<u>559,637</u>	<u>1,193,903</u>	<u>(440,858)</u>
Total net assets	<u>3,876,699</u>	<u>3,180,545</u>	<u>3,536,805</u>	<u>696,154</u>	<u>(356,260)</u>
Total liabilities and net assets	<u>\$6,729,752</u>	<u>\$7,142,088</u>	<u>\$6,955,874</u>	<u>\$ (412,336)</u>	<u>\$ 186,214</u>



**Parishwide Hospital Service District,  
A Component Unit of Concordia Parish Police Jury d/b/a  
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Management's Discussion and Analysis  
Years Ended September 30, 2011 and 2010**

***2011 Highlights***

- Current assets increased by approximately \$115,000 in 2011, due primarily to payments on current and long-term debt.
- Net capital assets decreased by approximately \$558,000 in 2011, due primarily to excess of depreciation over new capital assets added by the District during the year.
- Total liabilities decreased by approximately \$1,108,000 in 2011, as a result of payments on current and long-term debt.

***2010 Highlights***

- Current assets decreased by approximately \$184,000 in 2010, as compared to 2009, due primarily to decreased collections from patients and third-party payers.
- Net capital assets increased by approximately \$341,000 in 2010, as compared to 2009. This increase is largely due in part to new patient service equipment added by the District in 2010.
- Current liabilities and long-term debt increased in 2010, primarily as a result of financing the purchase of the new capital assets.

Parishwide Hospital Service District,  
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**Summary of Revenues, Expenses and Changes in Net Assets**

The following table presents a summary of the District's revenues, expenses and changes in net assets for each of the fiscal years ended September 30, 2011, 2010 and 2009:

**Table 2: Operating Results and Changes in Net Assets**

	2011	2010	2009	Variance 2011-2010	Variance 2010-2009
<b>Operating Revenues</b>					
Net patient service revenue	\$ 14,680,978	\$ 12,626,273	\$ 11,088,303	\$ 2,054,705	\$ 1,537,970
Other	131,290	157,245	304,744	(25,955)	(147,499)
Total operating revenues	14,812,268	12,783,518	11,393,047	2,028,750	1,390,471
<b>Operating Expenses</b>					
Salaries, wages and employee benefits	7,759,697	7,511,698	7,014,783	247,999	496,915
Supplies and other	5,914,895	5,847,974	5,427,108	66,921	420,866
Depreciation and amortization	984,909	865,543	706,314	119,366	159,229
Total operating expenses	14,659,501	14,225,215	13,148,205	434,286	1,077,010
<b>Operating Income (Loss)</b>	152,767	(1,441,697)	(1,755,158)	1,594,464	313,461
<b>Nonoperating Revenues</b>	520,781	872,023	531,062	(351,242)	340,961
<b>Excess (Deficiency) of Revenues Over Expenses Before Capital Grant</b>	673,548	(569,674)	(1,224,096)	1,243,222	654,422
<b>Capital Grant</b>	22,606	213,414	1,508,433	(190,808)	(1,295,019)
<b>Increase (Decrease) in Net Assets</b>	696,154	(356,260)	284,337	1,052,414	(640,597)
<b>Net Asset, Beginning of Year</b>	3,180,545	3,536,805	3,252,468	(356,260)	284,337
<b>Net Assets, End of Year</b>	\$ 3,876,699	\$ 3,180,545	\$ 3,536,805	\$ 696,154	\$ (356,260)

**Parishwide Hospital Service District,  
A Component Unit of Concordia Parish Police Jury d/b/a  
Riverland Medical Center  
Management's Discussion and Analysis  
Years Ended September 30, 2011 and 2010**

***Operating Revenues***

During fiscal years 2011 and 2010, the District derived 99% and 94%, respectively, of its total operating revenues from net patient service revenue. Such revenues include revenues from the Medicare and Medicaid programs, patients or their third-party carriers who pay for care in the District's facilities.

Approximately 70% of the District's gross patient service revenue was rendered under contracts with Medicare and Medicaid for 2011, compared to approximately 67% for 2010.

***Operating and Financial Performance***

***2011 Highlights***

- During 2011, the District had patient days and admissions of 2,605 and 1,024, respectively. This was a decrease of 385 inpatient days, or 13% from 2010 levels. Admissions decreased in 2011 by 43, or 4%.
- Net patient service revenue increased in 2011. The increase in net patient service revenue is primarily due to an overall decrease in the provision for uncollectible accounts which reduces net patient service revenue.
- Net operating expense consists primarily of interest expense.

***2010 Highlights***

- During fiscal year 2010, the Hospital derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients or their third-party payers who receive care in the District's facilities. In July 2008, Medicaid increased reimbursement to 110% of cost for inpatient and outpatient charges.
- The District was overpaid by approximately \$445,000 and \$63,000 in uncompensated care reimbursement in fiscal years 2008 and 2007, respectively. These overpayments were recorded as adjustments to operating revenue. Reimbursement for the Medicare and Medicaid programs and the third-party payers is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes cafeteria sales, sales tax revenue and home health joint venture payments.

Parishwide Hospital Service District,  
A Component Unit of Concordia Parish Police Jury d/b/a  
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**The District's Cash Flows**

Changes in the District's cash flows are consistent with changes in operating losses and nonoperating revenues and expenses for 2011 and 2010, discussed earlier.

**Capital Assets**

At the end of 2011, the District had approximately \$3,698,000 investment in capital assets, net of accumulated depreciation as detailed in *Note 6* to the financial statements. The District purchased new equipment costing approximately \$402,000.

At the end of 2010, the District had \$4,256,000 invested in capital assets, net of accumulated depreciation, as detailed in *Note 6* to the financial statements. In 2010, the District purchased new equipment costing approximately \$1,248,000.

The District incurred new capital lease obligations in 2011 and 2010 related to equipment purchases of approximately \$304,000 and \$777,000, respectively, as detailed in *Note 8*.

***Economic Factors and Next Year's Budget***

While the annual budget of the District is not presented within these financial statements, the District's Board and management considered many factors when setting the fiscal year 2012 budget. While the financial outlook for the District is improving, of primary importance in setting the 2012 budget was the status of the economy and the health care environment, which takes into account market forces and environmental factors such as:

- Projected 2012 District utilization (inpatient admissions, average length-of-stay, emergency room visits, surgeries and other procedures)
- Projected 2012 salaries (number of full-time equivalent employees, or "FTEs," overtime rates, contract personnel and other expenses)
- Physician recruitment
- Medicare reimbursement changes
- Medicaid reimbursement changes, as well as the continuation at the current level of Disproportionate Share and Upper Payment Limit Programs
- Increased number of uninsured and working poor
- Ongoing competition for services
- Workforce shortages, primarily in nursing and other clinically skilled positions and related employee costs
- Cost of supplies, including pharmaceuticals

Parishwide Hospital Service District,  
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***Contacting the District Financial Manager***

This annual financial report is designed to provide our citizens, patients and creditors with a general overview of the District's finances. If you have any questions about this report or need additional financial information about the District, please contact:

Lana Stamper, District Administrator  
Riverland Medical Center  
1700 E.E. Wallace Boulevard North  
Ferriday, Louisiana 71334

Parishwide Hospital Service District,  
 A Component Unit of Concordia Parish Police Jury d/b/a  
**Riverland Medical Center**  
**Balance Sheets**  
**September 30, 2011 and 2010**

	2011 (Restated - Note 2)	2010
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 365,941	\$ 238,653
Patient accounts receivable, net of allowance for uncollectibles of approximately \$7,418,000 and \$2,836,000 in 2011 and 2010, respectively	1,564,601	1,781,361
Other receivables	261,097	9,743
Estimated amounts due from third-party payers	16,238	-
Inventories	427,536	490,686
Prepaid expenses	68,337	68,306
Total current assets	<u>2,703,750</u>	<u>2,588,749</u>
<b>Capital Assets, Net</b>	<u>3,698,085</u>	<u>4,256,133</u>
<b>Other Assets</b>	<u>327,917</u>	<u>297,206</u>
Total assets	<u>\$ 6,729,752</u>	<u>\$ 7,142,088</u>

See Notes to Financial Statements

	<b>2011</b> <b>(Restated -</b> <b>Note 2)</b>	<b>2010</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 375,567	\$ 290,742
Notes payable	81,000	325,000
Accounts payable	763,586	571,347
Accrued expenses	874,399	1,258,684
Estimated amounts due to third-party payers	-	612,145
	<hr/>	<hr/>
Total current liabilities	2,094,552	3,057,918
	<hr/>	<hr/>
<b>Long-term Debt</b>	758,501	903,625
	<hr/>	<hr/>
Total liabilities	2,853,053	3,961,543
	<hr/>	<hr/>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	2,564,017	3,061,766
Unrestricted	1,312,682	118,779
	<hr/>	<hr/>
Total net assets	3,876,699	3,180,545
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 6,729,752</u>	<u>\$ 7,142,088</u>

Parishwide Hospital Service District,  
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**Riverland Medical Center**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**Years Ended September 30, 2011 and 2010**

	2011 (Restated - Note 2)	2010
<b>Operating Revenues</b>		
Net patient service revenue, net of provision for uncollectible accounts; approximately, 2011 - \$7,004,000 2010 - \$5,010,000	\$ 14,680,978	\$ 12,626,273
Other	131,290	157,245
Total operating revenues	<u>14,812,268</u>	<u>12,783,518</u>
<b>Operating Expenses</b>		
Salaries and wages	5,978,377	6,557,355
Supplies and other	5,914,895	5,847,974
Employee benefits	1,781,320	954,343
Depreciation and amortization	984,909	865,543
Total operating expenses	<u>14,659,501</u>	<u>14,225,215</u>
<b>Operating Income (Loss)</b>	<u>152,767</u>	<u>(1,441,697)</u>
<b>Nonoperating Revenues (Expenses)</b>		
Sales tax revenue	570,390	543,788
Interest income	1,327	1,531
Interest expense	(55,936)	(54,399)
Gain on sale of investments	-	380,133
Other	5,000	970
Net nonoperating revenues (expenses)	<u>520,781</u>	<u>872,023</u>
<b>Excess (Deficiency) of Revenues Over Expenses Before Capital Grant</b>	673,548	(569,674)
<b>Capital Grant</b>	<u>22,606</u>	<u>213,414</u>
<b>Increase (Decrease) in Net Assets</b>	696,154	(356,260)
<b>Net Assets, Beginning of Year</b>	<u>3,180,545</u>	<u>3,536,805</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 3,876,699</u></u>	<u><u>\$ 3,180,545</u></u>



Parishwide Hospital Service District,  
 A Component Unit of Concordia Parish Police Jury d/b/a  
**Riverland Medical Center**  
**Statements of Cash Flows**  
**Years Ended September 30, 2011 and 2010**

	2011 (Restated - Note 2)	2010
<b>Operating Activities</b>		
Receipts from and on behalf of patients	\$ 13,893,300	\$ 12,574,652
Payments to suppliers	(6,473,706)	(5,723,004)
Payments to employees	(7,205,112)	(7,556,910)
Other receipts, net	<u>136,290</u>	<u>173,056</u>
Net cash provided by (used in) operating activities	<u>350,772</u>	<u>(532,206)</u>
<b>Capital and Related Financing Activities</b>		
Purchases of capital assets	(97,448)	(404,006)
Interest payments on long-term debt	(53,814)	(43,034)
Proceeds from disposal of assets	-	53,816
Proceeds from capital grants	22,606	213,414
Principal payments on long-term debt	<u>(364,424)</u>	<u>(320,354)</u>
Net cash used in capital and related financing activities	<u>(493,080)</u>	<u>(500,164)</u>
<b>Noncapital Financing Activities</b>		
Sales taxes supporting operations	570,390	543,788
Principal payments on notes payable	(325,000)	(200,000)
Interest payments on notes payable	(2,122)	(11,365)
Proceeds from notes payable	81,000	325,000
Proceeds from grants	<u>-</u>	<u>970</u>
Net cash provided by noncapital financing activities	<u>324,268</u>	<u>658,393</u>
<b>Investing Activities</b>		
Other changes in investments	-	(1,909)
Loans to students and amortization of loans	(55,999)	(53,000)
Sale of minority interest in home health	-	326,317
Interest income	<u>1,327</u>	<u>1,531</u>
Net cash provided by (used in) investing activities	<u>(54,672)</u>	<u>272,939</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<u>127,288</u>	<u>(101,038)</u>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>238,653</u>	<u>339,691</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 365,941</u></u>	<u><u>\$ 238,653</u></u>

Parishwide Hospital Service District,  
 A Component Unit of Concordia Parish Police Jury d/b/a  
**Riverland Medical Center**  
**Statements of Cash Flows (Continued)**  
**Years Ended September 30, 2011 and 2010**

	2011 (Restated - Note 2)	2010
<b>Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by Operating Activities</b>		
Operating income (loss)	\$ 152,767	\$ (1,441,697)
Depreciation and amortization	984,909	865,543
Gain on sale of equipment	5,000	-
Changes in operating assets and liabilities		
Patient accounts receivable, net	216,760	106,191
Other receivables	(251,354)	15,811
Inventories	63,150	(33,287)
Prepaid expenses	(31)	(5,596)
Accounts payable and accrued expenses	(192,046)	118,641
Estimated amounts due to third-party payers	(628,383)	(157,812)
Net cash provided by (used in) operating activities	<u>\$ 350,772</u>	<u>\$ (532,206)</u>
<b>Supplemental Cash Flows Information</b>		
Capital lease obligation incurred for capital assets	\$ 304,125	\$ 776,999
Interest paid	\$ 55,936	\$ 54,399

**Parishwide Hospital Service District,  
A Component Unit of Concordia Parish Police Jury d/b/a  
Riverland Medical Center  
Notes to Financial Statements  
September 30, 2011 and 2010**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations and Reporting Entity***

Parishwide Hospital Service District, a Component Unit of Concordia Parish Police Jury d/b/a Riverland Medical Center (referred to as the District) was created by an ordinance of the Concordia Parish Police Jury on April 26, 1961, and was referred to as Concordia Parish Hospital until January 13, 1986, when the name was changed to Riverland Medical Center.

The District is a political subdivision of the Concordia Parish Police Jury whose jurors are elected officials. Its commissioners are appointed by the Concordia Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Concordia Parish Police Jury is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the Concordia Parish Police Jury based on Governmental Accounting Standards Board (GASB) Statement No. 14. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

The District provides outpatient, emergency, inpatient acute hospital services, skilled nursing through "swing bed", clinic and home health services through a joint venture. The District is also a 25-bed critical access hospital (CAH).

***Basis of Accounting and Presentation***

The financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and parish appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific (such as sales tax), government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The District first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

The District prepares its financial statements as a business-type activity in conformity with applicable pronouncements of GASB. Pursuant to GASB Statement No. 20, the District has elected not to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989.

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***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents consist primarily of deposits in checking and certificates of deposit with original maturities of 90 days or less. At September 30, 2011 and 2010, the District had no cash equivalents.

***Patient Accounts Receivable***

The District reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The District provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

***Supplies***

Laboratory and supply inventories are stated at the lower of cost determined using the first-in, first-out method, or market.

***Capital Assets***

Property, buildings and equipment are stated at cost. Donated property, buildings and equipment are recorded at fair value at the date of donation, which then is treated as cost. The cost of additions and improvements, which substantially extend the useful life of a particular asset, is capitalized. Expenditures for maintenance and repairs are charged to expenses.

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Equipment under capital leases is amortized on the straight-line method over the shorter period of the lease term, or the estimated useful life of the equipment. Such amortization is included in depreciation in the accompanying financial statements.

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The following estimated useful lives are used in computing depreciation.

Land improvements	5-20 years
Buildings and fixed equipment	25-40 years
Major moveable equipment	3-20 years

***Compensated Absences***

Employees of the District are entitled to paid time off and sick days depending on job classification, length of service and other factors. It is impracticable to estimate the amount of accrued compensation for future unvested sick days and, accordingly, no liability has been recorded in the accompanying financial statements. Employees hired prior to April 1, 2000, and with over 10 years of service are eligible for payment of accrued sick leave as a termination benefit. Employees hired after April 1, 2000, are not eligible for accrued sick leave as a termination benefit. Accrued vested sick pay for employees hired prior to April 1, 2000, and with over 10 years of service, and paid time off for all employees have been recorded as liabilities in the accompanying financial statements at employee earning rates in effect at the balance sheet date.

***Net Assets***

The District's net assets are classified as invested in capital assets, net of related debt or unrestricted net assets. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt.

***Net Patient Service Revenue***

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, including estimated retroactive revenue adjustments under reimbursement agreements with third-party payers and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such estimated amounts are revised in future periods as adjustments become known.

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***Grants and Contributions***

From time to time, the District receives grants and contributions from the State of Louisiana, individuals or private and public organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

***Sales Tax Revenue***

During the year ended September 30, 1985, the voters of the District passed a 1/4<sup>th</sup> cent sales tax for the operation and maintenance of the District, which was renewed for an additional 10 years in 1995. An additional 10 year renewal was approved by voters in January 2005. The sales tax is collected for the District by the Concordia Parish School Board for a 5% collection fee.

***Charity Care***

The District provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the District does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

***Income Taxes***

As a political subdivision of the State of Louisiana, the District is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the District is subject to federal income tax on any unrelated business taxable income.

***Electronic Health Records Incentive Program***

The Electronic Health Records Incentive Program, enacted as part of the American Recovery and Reinvestment Act of 2009, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records (EHR) technology. Critical access hospitals are eligible to receive incentive payments for up to four years under the Medicare program for its reasonable costs of the purchase of certified EHR technology multiplied by the hospital's Medicare utilization plus 20%, limited to 100% of the costs incurred. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the

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Centers for Medicare and Medicaid Services. Payment under both programs is contingent on the hospitals continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year under both programs is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The District recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period. During 2011, the District began implementing EHR-related technology and pursuing meaningful use objectives. No EHR revenue was recognized during 2011 or 2010.

**Reclassifications**

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 financial statement presentation. These reclassifications had no effect on net income.

**Note 2: Restatement of Prior Year Financial Statements**

Fiscal year 2011 has been restated to recognize net patient service revenue, contractual adjustments and reimbursement of self-insurance expenses related to Upper Payment Limit (UPL) grants and stop loss insurance recoveries that were due to the District at September 30, 2011, but not recognized at that date. The restatement increased previously reported 2011 total current assets, total assets, operating income and changes in net assets by approximately \$454,000.

**Note 3: Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the District be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance.

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At September 30, 2011 and 2010, the District's bank balances were protected from custodial credit risk as follows:

	<u>2011</u>	<u>2010</u>
Insured by Federal Deposit Insurance Corporation (FDIC)	\$ 470,567	\$ 281,575
Collateralized by securities held by the pledging financial institution's Trust Department in the District's name	<u>269,155</u>	<u>143,598</u>
Total depository balance	<u>\$ 739,722</u>	<u>\$ 425,173</u>
Carrying value	<u>\$ 365,941</u>	<u>\$ 238,653</u>

At September 30, 2011 and 2010, the FDIC's insurance limits were \$250,000, and the District's interest-bearing cash accounts were fully insured. Pursuant to legislation enacted in 2010, the FDIC fully insures all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions.

**Note 4: Net Patient Service Revenue**

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. These payment arrangements include:

*Medicare* - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services, certain outpatient services and defined capital costs related to Medicare beneficiaries are paid based upon a cost reimbursement methodology. The District is reimbursed for cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary.

*Medicaid* - Inpatient services rendered to Medicaid program beneficiaries are reimbursed at a prospectively determined per diem rate. Outpatient services are reimbursed at a percentage of cost, with final settlement determined after the submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary.



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Approximately 70% and 76% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended September 30, 2011 and 2010, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

The 2011 and 2010 net patient service revenue did not change due to retroactive adjustments by Medicare and Medicaid in excess of amounts previously estimated. Net patient service revenue decreased by \$35,000 and \$0 for 2011 and 2010, respectively, due to the decrease of the provision for estimated future third-party retroactive adjustments for the open cost report years 2008 through 2011.

**Note 5: Patient Accounts Receivable**

The District grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at September 30, 2011 and 2010, consisted of:

	<u>2011</u>	<u>2010</u>
Medicare	\$ 211,434	\$ 2,170,160
Medicaid	204,994	831,125
Other third-party payers	776,033	1,200,514
Patients	<u>7,790,278</u>	<u>415,562</u>
	8,982,739	4,617,361
Allowance for uncollectible accounts	<u>(7,418,138)</u>	<u>(2,836,000)</u>
	<u>\$ 1,564,601</u>	<u>\$ 1,781,361</u>

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**Note 6: Capital Assets**

Capital assets activity for the years ended September 30, 2011 and 2010 was:

	2011			
	Beginning Balance	Additions	Disposals Transfers	Ending Balance
Capital assets not being depreciated				
Land	\$ 116,996	\$ -	\$ -	\$ 116,996
Construction in progress	-	43,878	-	43,878
	<u>116,996</u>	<u>43,878</u>	<u>-</u>	<u>160,874</u>
Capital assets being depreciated				
Land improvements	138,931	-	-	138,931
Buildings and fixed equipment	5,651,805	-	-	5,651,805
Major moveable equipment	5,862,373	357,695	-	6,220,068
	<u>11,653,109</u>	<u>357,695</u>	<u>-</u>	<u>12,010,804</u>
Less accumulated depreciation				
Buildings and fixed equipment	3,843,377	203,199	-	4,046,576
Major moveable equipment	3,670,595	756,422	-	4,427,017
	<u>7,513,972</u>	<u>959,621</u>	<u>-</u>	<u>8,473,593</u>
Capital assets, net	<u>\$ 4,256,133</u>	<u>\$ (558,048)</u>	<u>\$ -</u>	<u>\$ 3,698,085</u>

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	2010			
	Beginning Balance	Additions	Disposals Transfers	Ending Balance
Capital assets not being depreciated				
Land	\$ 116,996	\$ -	\$ -	\$ 116,996
Construction in progress	35,071	-	(35,071)	-
	<u>152,067</u>	<u>-</u>	<u>(35,071)</u>	<u>116,996</u>
Capital assets being depreciated				
Land improvements	138,931	-	-	138,931
Buildings and fixed equipment	5,339,720	312,085	-	5,651,805
Major moveable equipment	5,767,883	935,527	(841,037)	5,862,373
	<u>11,246,534</u>	<u>1,247,612</u>	<u>(841,037)</u>	<u>11,653,109</u>
Less accumulated depreciation				
Buildings and fixed equipment	3,651,585	191,792	-	3,843,377
Major moveable equipment	3,832,126	647,970	(809,501)	3,670,595
	<u>7,483,711</u>	<u>839,762</u>	<u>(809,501)</u>	<u>7,513,972</u>
Capital assets, net	<u>\$ 3,914,890</u>	<u>\$ 407,850</u>	<u>\$ (66,607)</u>	<u>\$ 4,256,133</u>

Assets under capital leases at September 30, 2011 and 2010 totaled \$1,598,664 and \$1,597,167 respectively, net of accumulated depreciation of \$625,946 and \$1,201,276, respectively.

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**Note 7: Notes Payable**

A schedule of activity in the District's notes payable balance for the years ended September 30, 2011 and 2010, is as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Payments</b>	<b>Ending Balance</b>
<b>2011</b>				
Certificate of Indebtedness 2011 (A)	\$ 325,000	\$ -	\$ 325,000	\$ -
Certificate of Indebtedness 2010 (B)	-	81,000	-	81,000
	<u>\$ 325,000</u>	<u>\$ 81,000</u>	<u>\$ 325,000</u>	<u>\$ 81,000</u>
<b>2010</b>				
Certificate of Indebtedness 2010 (B)	\$ -	\$ 325,000	\$ -	\$ 325,000
Certificate of Indebtedness 2009 (C)	200,000	-	200,000	-
	<u>\$ 200,000</u>	<u>\$ 325,000</u>	<u>\$ 200,000</u>	<u>\$ 325,000</u>

- (A) Series 2010 Certificates of Indebtedness, at a 3.75% interest rate, due in one annual payment at March 1, 2011, collateralized by a pledge and dedication of the District's excess annual revenues over expenses. The District had repaid the borrowed balance of \$325,000 of the \$500,000 Certificate of Indebtedness at September 30, 2011. Series 2010 Certificates of Indebtedness were issued for operating expenses.
- (B) Series 2011 Certificate of Indebtedness, at a 3.75% interest rate, due in one annual payment at March 1, 2012, collateralized by a pledge and dedication of the District's excess annual revenues over expenses. The District had borrowed \$81,000 of the \$400,000 Certificate of Indebtedness at September 30, 2011. Series 2011 Certificates of Indebtedness were issued for operating expenses.
- (C) Series 2009 Certificates of Indebtedness, at 3.89% interest rate, due in one annual payment at March 1, 2010, collateralized by a pledge and dedication of the District's excess annual revenues over expenses. The District had borrowed \$200,000 of the \$500,000 Certificate of Indebtedness at September 30, 2009. Series 2009 Certificates of Indebtedness were issued for operating expenses. Paid off March 1, 2010.

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**Note 8: Long-term Debt**

A schedule of activity in the District's long-term debt balance is as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Payments</b>	<b>Ending Balance</b>	<b>Current Portion</b>
<b>2011</b>					
Series 2003 bonds (A)	\$ 190,710	\$ -	\$ 55,462	\$ 135,248	\$ 56,767
Capital lease obligations (B)	1,000,307	304,125	305,612	998,820	318,800
Long term note payable (C)	3,350	-	3,350	-	-
	<u>\$ 1,194,367</u>	<u>\$ 304,125</u>	<u>\$ 364,424</u>	<u>\$ 1,134,068</u>	<u>\$ 375,567</u>
<b>2010</b>					
Series 2003 bonds (A)	\$ 242,859	\$ -	\$ 52,149	\$ 190,710	\$ 54,409
Capital lease obligations (B)	481,266	776,999	257,958	1,000,307	232,983
Long term note payable (C)	13,597	-	10,247	3,350	3,350
	<u>\$ 737,722</u>	<u>\$ 776,999</u>	<u>\$ 320,354</u>	<u>\$ 1,194,367</u>	<u>\$ 290,742</u>

- (A) Series 2003 Certificates of Indebtedness, at a 4.25% interest rate, due in monthly installments of \$5,122, with full repayment at January 20, 2014, collateralized by a pledge and dedication of the District's excess annual revenues over expenses. Series 2003 Certificates of Indebtedness were issued for roof replacement.
- (B) Capital leases at varying rates of imputed interest of 3.1% to 18.9%, with total monthly payments ranging from \$268 to \$11,083 until October 15, 2015, collateralized by leased equipment.
- (C) Secured note payable at 8.0%, secured by surgery equipment, due in monthly payments of \$851, paid off January 2011.

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Aggregate annual maturities of long-term debt and payments on capital lease obligations at September 30, 2011, are as follows:

Year Ending September 30	Long-term Debt (Excluding Capital Lease Obligations)	Capital Lease Obligations
2012	\$ 56,767	\$ 355,793
2013	58,174	325,786
2014	20,307	242,660
2015	-	147,544
2016	-	-
	<u>\$ 135,248</u>	<u>1,071,783</u>
Less amount representing interest		<u>(72,963)</u>
Present value of future minimum lease payments		<u>\$ 998,820</u>

**Note 9: Accrued Expenses and Accounts Payable**

	2011	2010
Payable to suppliers and contractors	\$ 789,601	\$ 577,706
Payable to employees (including payroll taxes benefits)	<u>848,384</u>	<u>1,252,325</u>
	<u>\$ 1,637,985</u>	<u>\$ 1,830,031</u>

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**Note 10: Risk Management**

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The District purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the District's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

The District participates in the Louisiana Patient's Compensation Fund (PCF) established by the State of Louisiana to provide medical professional liability coverage to health care providers. PCF provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the District is at risk.

PCF places no limitation on the number of occurrences covered. In connection with the establishment of PCF, the State of Louisiana enacted legislation limiting the amount of health care provider settlement for professional liability to \$100,000 per occurrence and limited the PCF's exposure to \$400,000 per occurrence.

The District's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are redetermined utilizing actual losses of the District. The trust fund presumes to be a "grantor trust" and, accordingly, income and expenses are protracted to member hospitals. The District has included these allocations of income and expenses in the trust fund in its financial statements.

The District participates in the Louisiana Hospital Association Self-Insurance Workers' Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. Accordingly, the District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund. The trust fund is also a "grantor trust," and income and expenses are prorated to member hospitals. The District included these allocations of income and expenses in the trust fund in its financial statements.

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**Note 11: Charity Care**

Charges excluded from revenue under the District's charity care policy were \$55,682 and \$66,528 for 2011 and 2010, respectively.

**Note 12: Retirement Plan**

The District contributes to a defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the District's required contributions, determined in accordance with the terms of the plan. The plan is administered by an unrelated third party, Lincoln Retirement Services Company, LLC. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the District's governing body. The District contributes 5% of salaries to the plan. Employee mandatory contributions are 6% and employee voluntary contributions are up to 14%. Contributions made by plan members and the District for the years ended September 30, 2011 and 2010 are as follows:

	<b>2011</b>	<b>2010</b>
Employer mandatory contributions	\$ 343,286	\$ 340,708
Employee mandatory contributions	367,999	386,720
Employee voluntary contributions	111,822	129,651

**Note 13: Self-Funded Benefit Plan**

The District maintains a self-funded health insurance and drug benefit plan for all full-time employees. The District entered into an agreement on November 1, 1997, with a third-party administrator to administer the plan. The plan year runs from November 1 through October 31. The District purchases "excess" insurance coverage that provides for payment of claims over the \$50,000 specific deductible. For the plan's fiscal year 2010, the maximum liability could be \$1,940,000 with a named aggregating specific deductible of \$30,000. For the plan's fiscal year 2011, the maximum liability could be \$1,940,000 with a named aggregating specific deductible of \$30,000. Each plan year, the amount of "excess" insurance coverage can change based on the claims processed during the plan year. The accruals for this self-funded plan amounted to \$166,000 and \$65,635 in fiscal years 2011 and 2010, respectively.



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**Note 14: Joint Venture**

The District participates in a cooperative endeavor (i.e., joint venture) with a home health company. The District's share of the joint venture was 33% before decreasing to 10% on November 1, 2009. The District's share of profits was \$24,384 and \$47,455 for fiscal years 2011 and 2010, respectively, and is included in other operating revenues on the accompanying statements of revenues, expenses and changes in net assets.

**Note 15: Risks and Uncertainties**

***Current Economic Conditions***

The current protracted economic decline continues to present hospitals with difficult circumstances and challenges, which, in some cases, have resulted in constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the District.

Current economic conditions, including the rising unemployment rate, have made it difficult for certain patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the District's future operating results. Further, the effect of economic conditions on the nation and the state may have an adverse effect on cash flows related to the Medicare and Medicaid programs.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in allowances for uncollectible receivables that could negatively impact the District.

***Admitting Physicians***

The District has an economic dependence on a small number of staff physicians who admit over 90% of the District's patients.

The District also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in *Note 4*. Accordingly, changes in federal or state legislation or interpretations of rules have a significant impact on the District.

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***Litigation***

In the normal course of business, the District is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the District's insurance program (discussed elsewhere in these notes), for example, allegations regarding employment practices or performance of contracts. The District evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

**Independent Accountants' Report on Internal Control  
Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of the Financial Statements Performed  
in Accordance with *Government Auditing Standards***

Board of Directors  
Parishwide Hospital Service District,  
A Component Unit of Concordia Parish Police Jury d/b/a  
Riverland Medical Center  
Ferryday, Louisiana

We have audited the financial statements of Parishwide Hospital Service District, a Component Unit of Concordia Parish Police Jury d/b/a Riverland Medical Center (the District) as of and for the year ended September 30, 2011, and have issued our report thereon dated March 28, 2013, which contained an explanatory paragraph regarding a restatement of the 2011 financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses, and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and responses, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2011-01 to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that is required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that we reported to the District's management in a separate letter dated March 22, 2012.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the District's Board of Directors, management, others within the District and the Office of the Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

*BKD, LLP*

March 28, 2013

Parishwide Hospital Service District,  
A Component Unit of Concordia Parish Police Jury d/b/a  
**Riverland Medical Center**  
**Schedule of Findings and Responses**  
**September 30, 2011**

**Findings Required to be Reported by Government Auditing Standards**

<b>Reference Number</b>	<b>Finding</b>
<b>2011-01</b>	<p><b><i>Criteria or Specific Requirement</i></b> - Management is responsible for establishing and maintaining effective internal controls over financial reporting.</p> <p><b><i>Condition</i></b> - The District was required to restate the 2011 financial statements for amounts not accrued related to the self-funded employee health insurance plan reinsurance and UPL amounts receivables.</p> <p><b><i>Context</i></b> - During fiscal year 2012, a retroactive review of revenues received by the District indicated inadequate receivable accruals were made for fiscal year 2011.</p> <p><b><i>Effect</i></b> - The financial statements were materially misstated for fiscal year 2011.</p> <p><b><i>Cause</i></b> - The District has not designed appropriate internal control procedures for identifying and accruing receivables related to the self-funded employee health insurance plan reinsurance and UPL amounts expected.</p> <p><b><i>Recommendation</i></b> - We suggest the District review its process for identifying receivables related to the self-insurance and UPL to ensure all appropriate facts are analyzed in the end-of-year accrual process. In addition, we recommend the District simplify its accounting process to better track actual claims expenses and monitor for potential reinsurance claims.</p> <p><b><i>Views of Responsible Officials and Planned Corrective Actions</i></b> - The District will coordinate with our self-insurance administrator at year end to determine a dollar amount for fiscal year payments that should be recognized at year-end.</p>

Board of Directors and Management  
Parishwide Hospital Service District,  
A Component Unit of Concordia Parish Police Jury d/b/a  
Riverland Medical Center  
Ferryday, Louisiana

As part of our audit of the financial statements of Parishwide Hospital Service District, a Component Unit of Concordia Parish Police Jury d/b/a Riverland Medical Center (the District) as of and for the year ended September 30, 2011, we wish to communicate the following to you.

## **Audit Scope and Results**

### ***Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America and the Standards Applicable to Financial Audits Contained in Government Auditing Standards Issued by the Comptroller General of the United States***

An audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

### ***Qualitative Aspects of Significant Accounting Policies and Practices***

#### ***Significant Accounting Policies***

The District's significant accounting policies are described in Note 1 of the audited financial statements.

***Alternative Accounting Treatments***

No matters are reportable.

***Management Judgments and Accounting Estimates***

Accounting estimates are an integral part of financial statements preparation by management, based on its judgments. The following areas involve significant estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Allowance for uncollectible accounts
- Due to/due from third-party providers
- Accrued self-insured employee health claims liability
- Accrual of expected claims processed in excess of the reinsurance threshold

***Financial Statement Disclosures***

No matters are reportable.

***Audit Adjustments***

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Areas in which adjustments were proposed include:

***Proposed Audit Adjustments Recorded***

- Provision for uncollectible accounts
- Compensated absences
- Notes payable
- Self-insurance liability
- Accrual for insurance recoveries
- Group health insurance expense

***Proposed Audit Adjustments Not Recorded***

- Attached is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.

***Auditor's Judgments About the Quality of the Entity's Accounting Principles***

During the course of the audit, we made the following observation regarding the District's application of accounting principles:

- Self-insured employee health claims liability and expense

***Other Material Written Communications***

Listed below are other material written communications between management and us related to the audit:

- Management representation letters dated March 22, 2012 and March 28, 2013 (attached)

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements of the District as of and for the year ended September 30, 2011, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the District's financial statements on a timely basis. A deficiency in design exists when



a control necessary to meet a control objective is missing or an existing control is not properly designed so that, even if the control operates as designed, a control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We observed the following matters that we consider to be material weaknesses or deficiencies.

### ***Material Weaknesses***

Refer to the Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*.

### ***Deficiencies***

#### ***Segregation of Duties***

Segregation of duties is an essential element of internal controls involving the separation of custody of assets from related recording and monitoring of transactions. To reduce the possibility of errors or fraud going undetected in the normal course of business, we encourage you to limit, to the extent possible, performance of incompatible duties. We noted incompatible duties in the areas of cash receipts, cash disbursements and payroll. As noted, management has implemented certain compensating controls so this item is considered a control deficiency and not a material weakness or significant deficiency. We recommend management continue to evaluate the cost benefit of these limitations on segregation of duties. Some examples of conflicting duties include but are not limited to the following:

- The admit clerk has the ability to admit patients, receive payments, generate a bill and apply payments to patients' accounts, giving her both access and recording responsibilities.
- The support services manager has the ability to initiate, change and authorize a purchase and the ability to record accounts payable. The potential exists for this person to make fraudulent purchases and record them as accounts payable.

**Management's Response and Corrective Action Plan**

We agree with the finding and will continue to evaluate the cost benefit of further segregation of duties, although a complete segregation of duties may not be practical at this time.

***Bank Reconciliations***

Bank reconciliations are not reviewed and approved.

**Management's Response and Corrective Action Plan**

We agree with the finding and have hired an accounting consultant who will be assigned to perform this task.

***Reconciliation of Accounts Payable Ledgers***

There is no formal written reconciliation performed and approved that agrees the accounts payable subledger to the general ledger.

**Management's Response and Corrective Action Plan**

We agree with the finding. A formal written reconciliation will be performed every month, which will then be reviewed and approved by the accounting consultant.

***Information Technology (IT) Controls***

The IT contractor has abilities within the system as administrator and as a user. There is no electronic control to prevent this and no review of his user ID activity to ensure he is not misusing his access.

**Management's Response and Corrective Action Plan**

Management was not aware of this and will implement a procedure to review activity reports for his user ID from the system periodically to ensure no unauthorized activities are taking place.

***Employee Sharing of Passwords***

It was noted the Batch Controller was the backup for the Human Resource Manager; however, during review of her access points for the CPSI system, we noted she did not have access to the human resource part of the system through her user ID and password. It appears the Human Resource Manager's user ID and password are being used by both individuals to enter information into the human resource part of the system.

### **Management's Response and Corrective Action Plan**

We were not aware this was occurring and will discuss with employees and the system administrator to ensure proper access to system is granted and improper access is eliminated.

### **Other Matters**

Although not considered material weaknesses, significant deficiencies or deficiencies in internal control over financial reporting, we observed the following matters and offer these comments and suggestions with respect to matters which came to our attention during the course of the audit of the financial statements. Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving financial and administrative practices and procedures. We can discuss these matters further at your convenience and may provide implementation assistance for changes or improvements if you require.

#### ***Employee Handbook***

We recommend the District require employees to sign a certification that they have read and understand the employee handbook, which contains the code of conduct and maintain that certification in their respective personnel file.

#### ***Adjustments to Patient Accounts***

Management should formally document their policy for who can approve adjustments to patients' bills/accounts.

#### ***Evidence of Review***

During our walkthrough of internal controls, we noted instances where there was no evidence of review and approval. We recommend all review and approvals are documented in writing.

#### ***Charity Care***

We recommend management review its charity care policy, modify if necessary and once finalized, adhere to it on a consistent basis.

Management's written responses to the deficiencies and other matters identified in our audit have not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on them.

Board of Directors  
Parishwide Hospital Service District,  
A Component Unit of Concordia Parish Police Jury d/b/a  
Riverland Medical Center  
Page 7 of 7

This communication is intended solely for the information and use of management, the Board of Directors and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

*BKD, LLC*

March 22, 2012, as reissued March 28, 2013



1700 E.E. Wallace Blvd N (P.O. Box 111)  
Ferryday, Louisiana 71334  
(318) 757-6551

March 22, 2012

**BKD, LLP**  
Certified Public Accountants  
190 East Capitol Street, Suite 500  
Jackson, MS 39201-2190

We are providing this letter in connection with your audits of the financial statements of Parishwide Hospital Service District, a component unit of Concordia Parish Police Jury, d/b/a Riverland Medical Center, (the Hospital) as of and for the year ended September 30, 2011. We confirm that we are responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following:

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.
3. We have made available to you:
  - (a) All financial records and related data.
  - (b) All minutes of directors' meetings held through the date of this letter.
  - (c) All significant contracts and grants.

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*Quality Care, Compassionate Service*

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(d) All peer review organizations, fiscal intermediary and third-party payer reports and information.

4. We have informed you of all current risks of a material amount that are not adequately prevented or detected by company procedures with respect to:

(a) Misappropriation of assets.

(b) Misrepresented or misstated assets or liabilities.

5. We believe the effects of the uncorrected financial statement misstatement(s) summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

7. We have no knowledge of any known or suspected:

(a) Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.

(b) Fraudulent financial reporting or misappropriation of assets involving others that could have a material effect on the financial statements.

(c) Communications from regulatory agencies, governmental representatives, employees or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices or other matters that could have a material adverse effect on the financial statements.

8. We have no knowledge of any allegations of fraud or suspected fraud affecting the Hospital received in communications from employees, customers, regulators, suppliers or others.

9. Except as reflected in the financial statements, there are no:

(a) Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.

(b) Material transactions omitted or improperly recorded in the financial records.

(c) Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.

- (d) Events occurring subsequent to the balance sheet date through the date of this letter requiring adjustment or disclosure in the financial statements.
  - (e) Related party transactions, balances, arrangements, or guarantees.
  - (f) Agreements to purchase assets previously sold.
  - (g) Violations of law, regulations or requirements of regulatory agencies for which losses should be accrued or matters disclosed in the financial statements.
  - (h) Unasserted claims or assessments that our attorneys have advised us are probable of assertion.
  - (i) Restrictions on cash balances or compensating balance agreements.
  - (j) Guarantees, whether written or oral, under which the Hospital is contingently liable.
10. We have informed you of all pending or completed investigations by regulatory authorities of which we are aware. There are no known circumstances that could jeopardize the Hospital's participation in the Medicare or other governmental health care programs.
11. Adequate provisions and allowances have been accrued for any material losses from:
- (a) Uncollectible receivables.
  - (b) Medicare/Medicaid and other third-party payer contractual, audit or other adjustments.
  - (c) Reducing obsolete or excess inventories to estimated net realizable value.
  - (d) Purchase commitments in excess of normal requirements or above prevailing market prices.
12. Except as disclosed in the financial statements, the Hospital has:
- (a) Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.
  - (b) Complied with all aspects of contractual agreements, for which noncompliance would materially affect the financial statements.

13. With respect to the Hospital's possible exposure to past or future medical malpractice assertions:
- (a) We have disclosed to you all incidents known to us that could possibly give rise to an assertion of malpractice.
  - (b) All known incidents have been reported to the appropriate medical malpractice insurer.
  - (c) There is no known lapse in coverage, including any lapse subsequent to the fiscal year-end, that would result in any known incidents being uninsured.
  - (d) Management does not expect any claims to exceed malpractice insurance limits.
14. With regard to deposit and investment activities:
- (a) All deposit, repurchase and reverse repurchase agreements and investment transactions have been made in accordance with legal and contractual requirements.
  - (b) Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
  - (c) We understand that your audit does not represent an opinion regarding the enforceability of collateral pledges.
15. With respect to any nonattest services you have provided us during the year, including preparation of year-end financial statements:
- (a) We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
  - (b) We have established and monitored the performance of the nonattest services to ensure that they meet our objectives.
  - (c) We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
  - (d) We have evaluated the adequacy of the services performed and any findings that resulted.
16. We acknowledge that we are responsible for compliance with applicable laws, regulations and provisions of contracts and grant agreements.



17. We have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.
18. We have identified and disclosed to you any violations or possible violations of laws, regulations and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.
19. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts or violations of provisions of contracts or grant agreements that you or other auditors report.
20. We have a process to track the status of audit findings and recommendations.
21. We have identified to you any previous financial audits, attestation engagements, performance audits or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other studies.
22. We have provided our views on any prior and current year findings, conclusions and recommendations, as well as our planned corrective actions and current status with respect thereto, to you for inclusion in the findings and recommendations referred to in your report on internal control over financial reporting and on compliance and other matters based on your audit of the financial statements performed in accordance with *Government Auditing Standards*.
23. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis has been prepared and is presented in conformity with the applicable GASB pronouncements. The information contained therein is based on all facts, decisions and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. There has been no change from the preceding period in the methods of measurement and presentation.
24. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year.
25. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate

for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.

26. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.
27. Billings to third-party payers comply in all material respects with applicable coding guidelines, laws and regulations. Billings reflect only charges for goods and services that were medically necessary; properly approved by regulatory bodies, if required; and properly rendered.
28. With regard to cost reports filed with Medicare, Medicaid or other third parties:
  - (a) All required reports have been properly filed.
  - (b) Management is responsible for the accuracy and propriety of those reports.
  - (c) All costs reflected on such reports are appropriate and allowable under applicable reimbursement rules and regulations and are patient-related and properly allocated to applicable payers.
  - (d) The reimbursement methodologies and principles employed are in accordance with applicable rules and regulations.
  - (e) All items required to be disclosed, including disputed costs that are being claimed to establish a basis for a subsequent appeal, have been fully disclosed in the cost report.
  - (f) Recorded allowances for third-party settlements are necessary and are based on historical experience or new or ambiguous regulations that may be subject to differing interpretations.
29. We acknowledge the current protracted economic decline continues to present difficult circumstances and challenges for the health care industry. Hospitals are facing declines in reimbursements, constraints on liquidity and difficulty obtaining financing. We understand the values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments to asset values, such as allowances for accounts that could negatively impact the Hospital's ability to maintain sufficient liquidity. We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the Hospital's financial statements. Further, management and the Board are solely responsible for all aspects of managing the Hospital, including questioning the quality and valuation of investments and other assets, reviewing allowances for uncollectible amounts and evaluating capital needs and liquidity plans.

30. We understand the federal fiscal year 2012 disproportionate share hospital adjustment payment from the State of Louisiana is for the period July 1, 2011 to June 30, 2012 which is the state fiscal year.

Lana Stamper  
Lana Stamper, Administrator

Lynda Baker Jones  
Lynda Jones, Accountant

**Period Ending: September 30, 2011****SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)**[illegible]

### Impact on Total Net Assets

**Riverland Medical Center  
ATTACHMENT**

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

**QUANTITATIVE ANALYSIS**

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	2,432,415	85,000	2,517,415	3.49%
Non-Current Assets	4,026,002		4,026,002	
Current Liabilities	(2,276,813)	(85,000)	(2,361,813)	3.73%
Non-Current Liabilities	(758,501)		(758,501)	
Current Ratio	1.068		1.066	-0.19%
Total Assets	6,458,417	85,000	6,543,417	1.32%
Total Net Assets	(3,423,103)		(3,423,103)	
Revenues & Income	(14,324,868)		(14,324,868)	
Costs & Expenses	14,082,310		14,082,310	
Net Income	(242,558)		(242,558)	



1700 E.E. Wallace Blvd (P.O. Box 111)  
Ferriday, Louisiana 71334  
(318) 757-6551

March 28, 2013

**BKD, LLP**  
Certified Public Accountants  
190 E. Capitol Street, Suite 500  
Jackson, MS 39201

We are providing this letter in connection with your audits of the financial statements of Parishwide Hospital Service District, a component unit of Concordia Parish Police Jury, d/b/a Riverland Medical Center, (the District) as of and for the years ended September 30, 2012 and 2011. We confirm that we are responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following:

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.

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3. We have made available to you:
  - (a) All financial records and related data.
  - (b) All minutes of directors' meetings held through the date of this letter.
  - (c) All significant contracts and grants.
  - (d) All peer review organizations, fiscal intermediary and third-party payer reports and information.
4. We have informed you of all current risks of a material amount that are not adequately prevented or detected by District procedures with respect to:
  - (a) Misappropriation of assets.
  - (b) Misrepresented or misstated assets or liabilities.
5. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
7. We have no knowledge of any known or suspected:
  - (a) Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.
  - (b) Fraudulent financial reporting or misappropriation of assets involving others that could have a material effect on the financial statements.
  - (c) Communications from regulatory agencies, governmental representatives, employees or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices or other matters that could have a material adverse effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the District received in communications from employees, customers, regulators, suppliers or others.

9. Except as reflected in the financial statements, there are no:
- (a) Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.
  - (b) Material transactions omitted or improperly recorded in the financial records.
  - (c) Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
  - (d) Events occurring subsequent to the balance sheet date through the date of this letter requiring adjustment or disclosure in the financial statements.
  - (e) Related party transactions, balances, arrangements, or guarantees. We understand that the term related party refers to an affiliate; principal owners, management, and members of their immediate families, subsidiaries accounted for by the equity method; and any other party with which the District may deal if the District can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the District.
  - (f) Agreements to purchase assets previously sold.
  - (g) Violations of law, regulations or requirements of regulatory agencies for which losses should be accrued or matters disclosed in the financial statements.
  - (h) Unasserted claims or assessments that our attorneys have advised us are probable of assertion.
  - (i) Restrictions on cash balances or compensating balance agreements.
  - (j) Guarantees, whether written or oral, under which the District is contingently liable.
10. We have informed you of all pending or completed investigations by regulatory authorities of which we are aware. There are no known circumstances that could jeopardize the District's participation in the Medicare or other governmental health care programs.
11. Adequate provisions and allowances have been accrued for any material losses from:
- (a) Uncollectible receivables.



- (b) Medicare/Medicaid and other third-party payer contractual, audit or other adjustments.
  - (c) Reducing obsolete or excess inventories to estimated net realizable value.
  - (d) Purchase commitments in excess of normal requirements or above prevailing market prices.
  - (e) Self-insured employee medical insurance claims.
12. Except as disclosed in the financial statements, the District has:
- (a) Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.
  - (b) Complied with all aspects of contractual agreements, for which noncompliance would materially affect the financial statements.
13. With respect to the District's possible exposure to past or future medical malpractice assertions:
- (a) We have disclosed to you all incidents known to us that could possibly give rise to an assertion of malpractice.
  - (b) All known incidents have been reported to the appropriate medical malpractice insurer.
  - (c) There is no known lapse in coverage, including any lapse subsequent to the fiscal year-end, that would result in any known incidents being uninsured.
  - (d) Management does not expect any claims to exceed malpractice insurance limits.
14. With regard to deposit and investment activities:
- (a) All deposit, repurchase and reverse repurchase agreements and investment transactions have been made in accordance with legal and contractual requirements.
  - (b) Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
  - (c) We understand that your audit does not represent an opinion regarding the enforceability of collateral pledges.

15. With respect to any nonattest services you have provided us during the year, including cost report services, propose journal entries, answer inquiries on specific accounting matters, and preparation of the financial statements and related notes:
  - (a) We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
  - (b) We have established and monitored the performance of the nonattest services to ensure that they meet our objectives.
  - (c) We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
  - (d) We have evaluated the adequacy of the services performed and any findings that resulted.
16. We acknowledge that we are responsible for compliance with applicable laws, regulations and provisions of contracts and grant agreements.
17. We have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.
18. We have identified and disclosed to you any violations or possible violations of laws, regulations and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.
19. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts or violations of provisions of contracts or grant agreements that you or other auditors report.
20. We have a process to track the status of audit findings and recommendations.
21. We have identified to you any previous financial audits, attestation engagements, performance audits or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other studies.
22. We have provided our views on any findings, conclusions and recommendations, as well as our planned corrective actions with respect thereto, to you for inclusion in the findings and recommendations referred to in your report on internal control

over financial reporting and on compliance and other matters based on your audit of the financial statements performed in accordance with *Government Auditing Standards*.

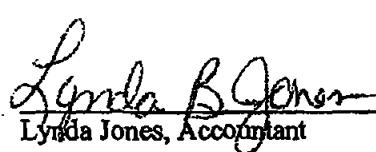
23. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis, , has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.
24. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year.
25. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.
26. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.
27. Billings to third-party payers comply in all material respects with applicable coding guidelines, laws and regulations. Billings reflect only charges for goods and services that were medically necessary; properly approved by regulatory bodies, if required; and properly rendered.
28. With regard to cost reports filed with Medicare, Medicaid or other third parties:
  - (a) All required reports have been properly filed.
  - (b) Management is responsible for the accuracy and propriety of those reports.

- (c) All costs reflected on such reports are appropriate and allowable under applicable reimbursement rules and regulations and are patient-related and properly allocated to applicable payers.
- (d) The reimbursement methodologies and principles employed are in accordance with applicable rules and regulations.
- (e) All items required to be disclosed, including disputed costs that are being claimed to establish a basis for a subsequent appeal, have been fully disclosed in the cost report.
- (f) Recorded allowances for third-party settlements are necessary and are based on historical experience or new or ambiguous regulations that may be subject to differing interpretations.

29. With regard to supplementary information:

- 1. We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.
  - 2. We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.
  - 3. The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period.
  - 4. We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.
  - 5. If the supplementary information is not presented with the audited financial statements, we acknowledge we will make the audited financial statements readily available to intended users of the supplementary information no later than the date such information and the related auditor's report are issued.
30. We have identified and disclosed to you all information related to the self-insured employee medical insurance plan that could have a direct and material effect on the financial statements, including any claim outliers which should be taken into consideration when calculating the accrual of amounts expected in excess of the reinsurance threshold, and have made adequate provision in the reinsurance accrual for all claims identified as occurring within the fiscal year.
31. We acknowledge the current protracted economic decline continues to present difficult circumstances and challenges for the health care industry. Hospitals are facing declines in assets, constraints on liquidity and difficulty obtaining financing. We understand the values of the assets and liabilities recorded in the

financial statements could change rapidly, resulting in material future adjustments to asset values, allowances for accounts receivable, etc. that could negatively impact the District's ability to meet debt covenants or maintain sufficient liquidity. We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the District's financial statements. Further, management and the Board are solely responsible for all aspects of managing the District, including questioning the quality and valuation assets reviewing allowances for uncollectible amounts and evaluating capital needs and liquidity plans.

  
William Rucker, Administrator  
Lynda Jones, Accountant

**Period Ending: September 30, 2012**

**SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)**

[illegible]

BKD  
A/NP335-X  
07-2012

Impact on Increase in Net Assets	12,005
Impact on Net Assets	12,005

**Riverland Medical Center  
ATTACHMENT**

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

**QUANTITATIVE ANALYSIS**

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	3,716,404	59,531	3,775,935	1.60%
Non-Current Assets	3,441,885		3,441,885	
Current Liabilities	(2,267,876)	(71,536)	(2,339,412)	3.15%
Non-Current Liabilities	(696,815)		(696,815)	
Current Ratio	1.639		1.614	-1.53%
Total Assets	7,158,289	59,531	7,217,820	0.83%
Net Assets	(4,193,598)	12,005	(4,181,593)	-0.29%
Revenues & Income	(15,255,152)		(15,255,152)	
Costs & Expenses	14,938,253	12,005	14,950,258	0.08%
Increase in Net Assets	(316,899)	12,005	(304,894)	-3.79%



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April 23, 2012

#### STATUS of PRIOR YEAR AUDIT FINDINGS - 2010

##### **FINDING 2010-1 – REVENUES**

**Finding:** Subsequent to the computer conversion in fiscal year 2009, various revenues have been posted in improper departments. Additionally, EKG revenues were not being recorded or billed. This affects the matching of revenue and expenses, decreases net income as well as influences the Medicare and Medicaid cost report results. Because the Hospital is reimbursed under a cost reimbursement methodology for Medicare and Medicaid services, these issues can be material to the reimbursement results of the cost report.

**Response:** Current Administrator has informed the managers and employees of the issue of EKGs not being recorded or billed. A system for stickers for the EKGs has been implemented to capture these charges. Revenues will be monitored on an ongoing basis for completeness and correct posting to the general ledger.

We now have a dedicated person to enter all of the emergency room charges.

We have had a CPSI (electronic computer system) review and re-training on running reports for charges. We have developed a Financial Committee that meets one time a week to discuss all issues of revenue.

##### **FINDING 2010-2 – ALLOWANCES**

**Finding:** Contractual and bad debt allowances were underestimated due to improper classification of receivables on the aged trial balance.

**Response:** The Financial Personnel will use a model that mirrors the year end model to calculate the allowances on a monthly basis. The Financial Consultant is now calculating the allowances on a monthly basis.



### **FINDING 2010-3 – BAD DEBTS**

**Finding:** Balances due from patients were not timely sent to the collection agencies in accordance with stated policy. This slows collection on accounts and causes an inability to claim Medicare bad debts in a timely manner on the cost report.

**Response:** We have made some personnel changes in the Business Office. We have a new office manager. We are currently reviewing our contracts with various vendors. We have hired a consultant to assist with “soft” collections, as an extension of the business office. This company is doing “early outs” and works them for ninety (60) days. Then they are brought back in house to be turned over to collections. We currently use two (2) companies. We are writing off as bad debt if there has not been any activity for a total of 90 days.

### **FINDING 2010-4 – DOCUMENTATION**

**Finding:** Documentation missing in some administrative expense reports. There were two (2) instances in FY 2010 where appropriate documentation was missing from administrative expense reports. These being a (1) missing business purpose and (2) a missing notation/initial on the expense report indicating an approval by the appropriate level of administration.

**Response:** Policies and Procedures regarding the approval process for administrative expense reports have been revised and communicated to employees and board members. The following are the changes made.

1. Attaching receipts and documentation, including the appropriate business purpose and initials indicating authorization at the appropriate level are all requirements.
2. All administrative expense reports must be approved at the next higher level of authority, such as business office personnel must have their report approved by financial personnel or the administrator, the financial personnel expense reports must be approved by the administrator and the administrator’s expense reports must be approved by the Chairman of the Board. The board members’ expense reports must be approved by the administrator and another board member.
3. Financial personnel will review administrative expense reports for the appropriate documentation and approval before expense checks are issued. If the report does not have the required documentation, it will be forwarded back to the originator for completion and resubmission.

### **FINDING 2010-5 – DRAFT OF FINANCIAL STATEMENTS**

**Finding:** In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, SAS 112 now requires management to ensure propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of financial statements and related footnote disclosures in accordance with GAAP lacks the knowledge and/or resources necessary internally to complete the reporting requirements.

**Response:** We have hired a financial consultant with a local accounting firm. He is on site about one to two days a week. He assisted with the preparation of the budget for FY 2011-2012. He is also training the financial personnel. He attends the board meetings to present the financials to the board. He also attends the department managers meetings and the financial committee meetings when he is available.

#### **FINDING 2010-6 – SEGREGATION OF DUTIES**

**Finding:** Due to limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions. A system of internal control procedures requires that no one individual handle a transaction from its inception to its completion. While we recognize the Hospital may not be large enough to always permit segregation of duties, it is important that the Hospital be aware of this condition.

**Response:** General Ledger: All entries posted by financial services manager. Reviewed by contracted financial consultant, Allowance entries prepared by consultant and posted by financial services manager.

**Bank Accounts:** All bank statements are delivered to the Administrator unopened for review. Reconciled by financial services manager and approved by contract financial consultant.

**Accounts Payable:** Invoices coded by financial services manager, PO/match coded by purchasing agent. Invoices posted by financial services manager or data entry clerk.

**Deposits:** All mail is opened by data entry clerk or financial services manager. Insurance payments posted by business office personnel. Any payments collected at front office are posted to patients' accounts by the data entry clerk or collections clerk and not by the front office personnel. End of the day all money taken to data entry clerk for deposit. These are taken to bank by the special projects manager.

#### **FINDING 2010-7 – CASH**

**Finding:** Several issues regarding internal controls for cash & deposits

1. Deposits for cash accounts were erroneously posted to the general ledger with either no deposit made and the checks were outstanding or the deposit was actually made in the following month.
2. Checks were being held after signatures were obtained because of cash flow inadequacies.
3. Outdated signature cards exist at the banks.
4. Flexible Benefits cash account has one person who writes & signs the checks- they also reconcile the bank statement with no oversight.

**Response:** Deposits for cash accounts are posted correctly. No checks are being held after signatures. Upon arrival of new Administrator, signature cards were updated at the banks. They were again updated after the marriage of the Administrator due to name change.

Flexible Benefits: Authorized signers are administrator, special projects manager, or data entry clerk. Employee completes a Reimbursement Request form with receipts attached and submits to the Human Resource Manager. Human Resource Manager writes out the check, authorized signer reviews and signs check. The authorized signer hand delivers the check to the employee. At the end of the month the financial office reconciles the account.

#### **FINDING 2010-8 – ACCOUNTS RECEIVABLE**

**Finding:** Problems with timely billing, follow-up, collection, and valuation of accounts receivable.

1. Commercial Insurance denials are not being worked timely. This resulted in a number of claims exceeding the statute of limitations for re-billing and payment.
2. Numerous accounts being returned by postal service due to incorrect addresses. These incorrect addresses are not being researched, updated, and re-billed timely. The audit revealed accounts totaling approximately \$90,000 with incorrect addresses.
3. Allowance established for uncollectible commercial insurance & self pay accounts is not adequate.

**Response:** Administrator and Business Officer Manager are reviewing accounts receivable reports and working with personnel to file and collect in a timely manner. This is also a topic discussed in Leadership and Financial Committee meetings. The Business Office Consultant is also assisting with reviewing and improving processes. All business office and collections policies are being reviewed and revised. The accounts/receivable days is at 52.6 and collections are up by 53% from last year.

#### **FINDING 2010-9 – COMPLIANCE – CONTRACTS**

**Finding:** Contracts that did not include all necessary signatures.

Contracts not being reviewed on an annual basis and some payments were made which were not in accordance with contract terms.

**Response:** The current Administrator is reviewing all contracts. The Hospital has also contracted with two (2) law firms specializing in healthcare law to review contracts. All contracts are beginning to be reviewed on annual basis by the Administrator, attorney (as needed) and the board. There is only one contract that does not contain the previous Administrator's signature. This contract has been canceled.

A copy of the payment terms of each contract is given to financial office and business office and payments are based on the contract terms.



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April 23, 2012

**Management Responses to the "Other Comments" Contained in Management Letter:**

***Employee Handbook***

- We recommend the District require employees to sign a certification that they have read and understand the employee handbook, which contains the code of conduct and maintain that certification in their respective personnel file.

**Management's Response and Corrective Action Plan**

Riverland's employee handbook is currently being revised by attorneys at Butler Snow Law Firm. It will be approved by the board and then all employees will be given a copy of the new handbook with certification form(s). All new employees will be given the handbook and be required to sign certifications upon hire. These forms will be filed in the personnel department.

***Adjustments to Patient Accounts***

- Management should formally document their policy for who can approve adjustments to patients' bills/accounts.

**Management's Response and Corrective Action Plan**

We have updated our policy with who has the authority to make adjustments to patients' bills/accounts. Only the Administrator or the Business Officer Manager/Compliance Officer has the authority to make adjustments to patients' bills/accounts.

***Evidence of Review***

- During our walkthrough of internal controls, we noted instances where there was no evidence of review and approval. We recommend all review and approvals are documented in writing.

#### **Management's Response and Corrective Action Plan**

All pay raises are reviewed, approved and signed by administration on the "Personnel Change Form". All bank statements are reviewed by the administrator and initialed. The contract accounting consultant reviews and signs the bank reconciliations, financial adjustments and journal entries. This practice started October 2011.

#### ***Charity Care***

- We recommend management to review its charity care policy, modify if necessary and once finalized, and adhere to it on a consistent basis.

#### **Management's Response and Corrective Action Plan**

We have reviewed our charity care policy and no modifications were needed. We will review policy with business office personnel and adhere to the policy.

Lana Stamper  
Administrator

Parishwide Hospital Service District,  
A Component Unit of Concordia Parish Police Jury d/b/a  
**Riverland Medical Center**  
Independent Accountants' Report on  
Application of Agreed-upon Procedures  
January 31, 2012



## Independent Accountants' Report on Application of Agreed-upon Procedures

Management  
Parishwide Hospital Service District,  
A Component Unit of Concordia Parish Police Jury d/b/a  
Riverland Medical Center  
Ferryday, Louisiana

We have performed the procedures enumerated in the attachment to this report, which were agreed to by Parishwide Hospital Service District, a Component Unit of Concordia Parish Police Jury d/b/a Riverland Medical Center (Riverland) and the Louisiana Legislative Auditor, solely to assist you with respect to evaluating certain internal controls and Riverland's compliance with certain laws and regulations during the year ended September 30, 2011, included in the *Louisiana Compliance Questionnaire*. Riverland's management is responsible for certain internal controls and compliance with certain laws and regulations included in the *Louisiana Compliance Questionnaire*. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attachment to this report for the purpose for which this report has been requested or for any other purpose.

The findings obtained are described in the attachment to this report.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on Riverland's internal controls or compliance with the *Louisiana Compliance Questionnaire*. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*BKD, LLP*

January 31, 2012

**A Component Unit of Concordia Parish Police Jury d/b/a  
Riverland Medical Center  
Agreed-upon Procedures and Findings  
September 30, 2011**

Procedures performed are listed below, and our findings are in bold immediately after each procedure. Management's responses are in bold italics immediately after our findings.

***Financial Management***

1. Determine if management (chief executive and board members) was presented with timely and accurate monthly financial statements, including budget-to-actual comparisons on funds (General Fund, Special Revenue Fund, Utility Fund, etc.) of the entity, during the year under examination.

**We obtained and read the minutes from all fiscal year (FY) 2011 Board meetings. These minutes documented that each month the Financial Services Manager prepares financial statements and presents them at the meetings. However, no financials were presented for the month of November 2010. According to management, budget-to-actual comparisons for the entity were not prepared, and Riverland does not maintain separate funds.**

***Management's response: Management agrees with the finding. Financial statements, with budget-to-actual comparisons, are now being presented each month at the Board meetings.***

2. If management was deficit spending during the period under examination, determine if there is a formal/written plan to eliminate the deficit spending and whether management is monitoring the plan.

**We obtained and read the monthly income statements for FY 2011. Three of the 12 months indicated a net operating loss for the month. According to management, they did not have a formal written plan to eliminate deficit spending. Riverland has a line of credit available.**

***Management's response: Management agrees with the finding. Temporary operating losses are always recovered through operating income in subsequent months. It is important to note that one of the months cited in this finding was for the month of May 2011 when the hospital's patient-load decreased due to severe flooding along the***



**Mississippi River. Regardless, all operating deficits are recovered in subsequent months. The line of credit is available if needed.**

**3. Determine if there are written policies and procedures for the following financial/business functions of the entity:**

- Budgeting, including preparing, adopting, monitoring, and amending the budget

**According to management, there were no written policies and procedures concerning the budget.**

**Management's response: Management agrees with the finding. The annual budgets are prepared by senior management after soliciting input from department managers, medical staff, and community leaders. The budgets are presented to the Board, and approved by the Board, on an annual basis. Although no formal, written policy exists, we believe the procedures outlined above are sufficient for the hospital.**

- Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) checks and balances to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

**According to management, there were no written policies or procedures for any of the abovementioned purchasing related areas.**

**Management's response: Management agrees with the finding. The hospital Administrator approves all vendors and each purchase. Documentation on every purchase is maintained in the purchasing office and Administration.**

- Disbursements, including processing, reviewing, and approving

**According to management, there were no written policies and procedures concerning disbursements.**

**Management's response: Management agrees with the finding. In lieu of a formal, written policy, the Administrator personally approves each vendor, purchase and disbursement.**

- Receipts, including receiving, recording, and preparing deposits

According to management, there were no written policies or procedures concerning receipts.

**Management's response:** *Management agrees with the finding. The hospital has adopted a formal, written policy for receipts and deposits.*

## **Credit Cards**

1. Obtain from management a listing of all active credit cards (and bank debit cards, if applicable) for the period under examination, including the card numbers and the names of the persons who maintained possession of the cards.

Management provided us information on one active credit card which was maintained by the Financial Services Manager. The card was issued by Office Depot. According to management, Riverland did not have any debit cards. We noted no other credit card companies listed on the FY 2011 vendor history report.

**Management's response:** *Management agrees with the finding. The Office Depot credit card is no longer being used and has been destroyed.*

2. Obtain and review the entity's written policies and procedures for credit cards (and debit cards if applicable) and determine if the following is addressed:
  - How cards are to be controlled
  - Allowable business uses
  - Documentation requirements
  - Required approvers
  - Monitoring card usage

According to management, Riverland did not have written policies and procedures for credit cards.

**Management's response: Management agrees with the finding. Again, the Office Depot credit card has been destroyed. No further response is necessary at this time.**

3. Obtain the monthly statements for all credit cards (general, stores, and gasoline) used during the period under examination and select for detailed review, the two largest (dollar amount) statements for each card. (Note: For a debit card, select the two monthly bank statements with the largest dollar amount of debit charges):

**We obtained only one statement for the credit card, as only one purchase in the amount of \$409.61 was made with the card during the fiscal year. We determined only one credit card statement was available for the year by reconciling the amount on the credit card statement to the master vendor listing with total dollar expenditures.**

**Management's response: Management agrees with the finding. Again, the Office Depot credit card has been destroyed. No further response is necessary at this time.**

- A. Obtain the entity's supporting documentation for the purchases/charges shown on the selected monthly statements:

- Determine if each purchase is supported by:
  - An original itemized receipt (i.e., identifies precisely what was purchased)
  - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating)
  - Other documentation as may be required by policy (e.g., purchase order, authorization, etc.)

**We sighted an original itemized receipt with documented business purpose. No other documentation was required by policy.**

**Management's response: Management agrees with the finding. Again, the Office Depot credit card has been destroyed. No further response is necessary at this time.**

- Determine if each purchase is:
  - In accordance with thresholds or guidelines established in the policies and procedures

- For an appropriate and necessary business purpose relative to the entity

According to management, no thresholds or guidelines were established. We noted the business purpose was relative to Riverland.

**Management's response:** *Management agrees with the finding. Again, the Office Depot credit card has been destroyed. No further response is necessary at this time.*

- Determine if any purchases were made for personal purposes. If there are purchases made for personal purposes, determine the date(s) of reimbursement.

The purchase did not appear to be for personal purposes.

**Management's response:** *Management agrees with the finding. No problems were noted. No further response is necessary at this time.*

- Determine if any purchases effectively circumvented the entity's normal procurement/purchasing process and/or the Louisiana Public Bid Law (i.e., large or recurring purchases requiring the solicitation of bids or quotes).

The purchase did not appear to be circumventing the normal purchasing process. The purchase was below the threshold for the Louisiana Public Bid Law.

**Management's response:** *Management agrees with the finding. No problems were noted. No further response is necessary at this time.*

- B. Determine if there was any duplication of expenses by comparing all travel and related purchases to the appropriate person's expense reimbursement report(s).

Not applicable, as the one credit card purchase for the year was not related to travel.

**Management's response: Management agrees with the finding. No problems were noted. No further response is necessary at this time.**

- C. Determine if each monthly credit card statement (including supporting documentation) was reviewed and approved, in writing, by someone other than the person making the purchases. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality.)]

The credit card statement was initialed and dated to evidence review and approval by the Financial Services Manager who was not the individual making the purchase.

**Management's response: Management agrees with the finding. The Office Depot credit card has been destroyed. No further response is necessary at this time.**

- D. Determine if finance charges and/or late fees were assessed on monthly statements.

We noted no charges or fees on the credit card statement.

**Management's response: Management agrees with the finding. No problems were noted. No further response is necessary at this time.**

## ***Travel and Expense Reimbursement***

1. Obtain and review the entity's written policies and procedures for travel and expense reimbursement and determine if the following is addressed:

- Allowable expenses
- Dollar thresholds by category of expense
- Documentation requirements
- Required approvers

We obtained and read Riverland's written policies and procedures for travel and expense reimbursement. The policies and procedures addressed documentation requirements and

required approvers, but did not address allowable expenses and dollar thresholds by category of expense.

**Management's response:** *Management agrees with the finding. All travel is pre-approved by the Administrator, in advance, and reimbursement of travel expenses is limited to only reasonable, properly supported amounts. No further response is necessary at this time.*

2. Obtain a listing of all travel and related expense reimbursements during the period under examination and select for review the one person who was reimbursed the most money.

On the list provided by management, the person reimbursed the most money for travel and related expenses was Lana Stamper, Administrator, in the amount of \$10,864.97.

**Management's response:** *Management agrees with the finding. No problems were noted. No further response is necessary at this time.*

- A. Obtain all of the expense reimbursement reports of the selected person, including the supporting documentation, and select the three largest (dollar) expense reports to review in detail. (Note: If there are only three or less expense reports, review all (100%) of them.):

We obtained all of Ms. Stamper's expense reports and selected three expense reports with the largest dollar amount of reimbursement.

**Management's response:** *Management agrees with the finding. No problems were noted. No further response is necessary at this time.*

- Determine if each expenditure was:
  - Reimbursed in accordance with written policy (e.g., rates established for meals, mileage, lodging, etc.)
  - In accordance with thresholds or guidelines established in the policies and procedures
  - For an appropriate and necessary business purpose relative to the travel

We noted each expenditure was in accordance with Riverland's written policy and for a relevant business purpose. As indicated earlier, no thresholds or guidelines were established in the policies and procedures.

**Management's response:** *Management agrees with the finding. Again, in lieu of a formal policy regarding allowable or thresholds, only reasonable, properly supported amounts are reimbursed. No further response is necessary at this time.*

- Determine if each expenditure was supported by:
  - An original itemized receipt (i.e., identifies precisely what was purchased)  
  
[Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) generally does not require a receipt.]
  - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating.)
  - Other documentation as may be required by policy (e.g., authorization for travel, conference brochure, certificate of attendance, etc.)

**We obtained the three expense reports with the largest dollar amount of reimbursement. Except as follows, the business purpose was documented and all documents required by policy were present.**

**(a) On one voucher in the amount of \$1,667.72, we noted 5 of 8 receipts submitted for meals were not itemized.**

**(b) On a second voucher in the amount of \$4,728.87, we noted 2 of 15 receipts submitted for meals were not itemized.**

**Management's response:** *Management agrees with the finding. Several detailed receipts were not available for review. In the future, we will diligently require detailed receipts from all dining establishments.*

- Determine if any of the expenditures were for personal purposes (e.g., extended hotel stays before or after training class, meals for spouses, entertainment, etc.).

**The expense reports did not indicate that any travel was extended for personal purposes or that any expenses of spouses or companions were requested for reimbursement.**

**Management's response:** *Management agrees with the finding. No problems were noted. No further response is necessary at this time.*

- Determine if each expense report (including documentation) was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

We noted Ms. Stamper's travel reimbursements were signed and dated by the Board President to evidence his review and approval, as required by the written policies and procedures.

**Management's response: Management agrees with the finding. No problems were noted. No further response is necessary at this time.**

- B. Determine if there was any duplication of expenses by comparing the expense reports to charges/purchases made on credit card(s).

We observed no duplication of travel and related expenses on Riverland's one credit card statement.

**Management's response: Management agrees with the finding. No problems were noted. No further response is necessary at this time.**

## **Contracts**

1. Obtain and review the entity's written policies and procedures for contracts/contracting, including leasing, and determine if the following is addressed:

- Types of services requiring written contracts
- Standard terms and conditions
- Legal review
- Approval process
- Monitoring process

According to management, Riverland did not have written policies and procedures for contracts/contracting.

**Management's response: Management agrees with the finding. Although no formal, written policy exists, the Administrator approves all contracts, terms, and conditions, and monitors each contractor for performance to the contract.**



2. Determine if the entity has centralized control and oversight of contracts to ensure that services/deliverables received and payments made comply with the terms and conditions of the contracts.

**Our inquiries of management revealed the following:**

**Control and oversight of contracts at Riverland were handled by three individuals. Purchasing of equipment and supplies were handled through the Purchasing Director. Purchasing of services was handled by the Administrator. Leases were maintained by Financial Services Manager. According to policy, department heads are responsible for reviewing and approving invoices to ensure the service or deliverable was received and payments made comply with the terms and conditions of the contracts.**

***Management's response: Management agrees with the finding. No problems were noted. The procedures outlined above assure contractors' compliance with the respective contracts. No further response is necessary at this time.***

3. Obtain and review the accounting records (e.g., general ledgers, accounts payable vendor history reports, invoices, etc.) for the period under examination to identify individuals/businesses being paid for contracted services (e.g., professional, technical, etc.). Select the five "vendors" that were paid the most money during the period and for each:

**We obtained a vendor report from Riverland's CPSI accounting system, which showed total amounts paid to each vendor for the fiscal year. These are the five vendors paid the most during the year:**

<b>Correct Care, Inc.</b>	<b>\$677,273.46</b>
<b>McKesson Drug Company</b>	<b>\$506,305.50</b>
<b>CPP Wound Care #20, LLC</b>	<b>\$377,425.00</b>
<b>Beckman Counter, Inc.</b>	<b>\$299,646.36</b>
<b>Computer Consultants</b>	<b>\$281,412.20</b>

- Determine if there was a formal/written contract that supports the services arrangement and the total amount paid.

**All vendors listed above had contracts in place. The assessment of the services arrangement and amounts paid are addressed below in procedure 4.**

- Determine the business legitimacy of the vendor if not known by the auditor (e.g., look up the vendor on the LA Secretary of State's website).

**We sighted the Secretary of State's website for Louisiana and Mississippi and noted each company listed above is in good standing.**

**Management's response: Management agrees with the finding. No problems were noted. No further response is necessary at this time.**

4. Obtain a listing of all active contracts and the expenditures made during the period under examination. Select for detailed review, the largest (dollar amount) contract in each of the following categories that was entered into during the period.

(1) Services	Correct Care, Inc.	\$677,273.46
(2) Materials and supplies	McKesson Drug Co.	\$506,305.50
(3) Public works	No contracts – Not applicable.	

- A. Obtain the selected contracts and the related paid invoices and:

- Determine if the contract is a related party transaction.

**Documentation in the contract files and discussions with management did not reveal any information that indicated these were related-party transactions.**

**Management's response: Management agrees with the finding. No problems were noted. No further response is necessary at this time.**

- Determine if the transaction is subject to the Louisiana Public Bid Law:
  - If yes, determine if the entity complied with all requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder, etc.)
  - If no, determine if the entity provided an open and competitive atmosphere (a good business practice) for the transaction/work.

**Our reading of the contracts did not indicate the transactions were subject to the Louisiana Public Bid Law; therefore, these two steps were not applicable.**

**Management's response: Management agrees with the finding. No problems were noted. No further response is necessary at this time.**

- Determine if the contract was awarded under the *request for proposals* (RFP) method. If done so, obtain all proposals and the evaluation/scoring documents to determine if the contract was awarded to the most responsible offeror whose proposal was the most advantageous, taking into consideration price and other evaluation factors set forth in the *request for proposals*.

According to management and the Purchasing Department, the request for proposals method of contracting was not used.

**Management's response: Management agrees with the finding. No problems were noted. No further response is necessary at this time.**

- Determine if the procurement was made "off" state contract (as opposed to following the competitive bidding requirements of the Louisiana Public Bid Law). If done so, determine if the board formally adopted the use of the Louisiana Procurement Code (R.S. 39:1551-1755), the set of laws that govern most state agencies' purchases of certain services, materials and supplies and major repairs.

We sighted the state contract website and noted neither of these purchases were "off" state contract. However, the McKesson contract was through the membership in the Group Purchasing Organization of Amerinet.

**Management's response: Management agrees with the finding. No problems were noted. No further response is necessary at this time.**

- Determine if the procurement was related to homeland security and was made from federal General Services Administration (GSA) supply schedules. If done so, determine if the entity (1) utilized a Louisiana licensed distributor; (2) used the competitive ordering procedures of the federal GSA; and (3) received prior approval from the director of the State Office of Homeland Security and Emergency Preparedness, or his designee.

These contracts were for pharmaceuticals and emergency room physicians and, therefore, did not relate to Homeland Security.

**Management's response: Management agrees with the finding. No problems were noted. No further response is necessary at this time.**

- Determine if the entity "piggybacked" onto another agency's contract. If done so, determine if there is documentation on file that clearly demonstrates the contract was a previously bid, viable contract and the price paid by the entity was the same as that contract's bid price.

Our reading of the contracts indicated that Riverland did not piggyback another agency's contract.

**Management's response: Management agrees with the finding. No problems were noted. No further response is necessary at this time.**

- Determine if the contract was amended. If done so, determine whether the original contract contemplated or provided for such an amendment. Furthermore, determine if the amendment is outside the scope of the original contract, and if so, whether it should have been separately bid and contracted.

We noted no amendments were in the contract file and, according to management, there were none.

**Management's response: Management agrees with the finding. No problems were noted. No further response is necessary at this time.**

- Determine if the invoices received and payments made during the period complied with the terms and conditions of the contract.

Due to the nature and operational logistics of the contract with McKesson Drug Company for pharmaceutical supplies, we could not compare the invoices to the prices in effect during FY 2011, as those price lists are no longer available and, according to management, maintaining the price lists would place undue burden on Riverland. We observed a signature on each invoice which is intended to indicate the invoice review and approval by a pharmacy employee, and the invoice amounts agreed to the amount paid by Riverland less applicable credits.

The invoices received and payments made to Correct Care, Inc. were compared to contract terms and conditions. We noted payments were made in compliance with contract terms and conditions.

**Management's response:** *Management agrees with the finding. No problems were noted. No further response is necessary at this time.*

- Determine if there was written evidence that the entity's legal advisor reviewed the contract and advised entering into the contract.

We observed no written evidence that Riverland's legal advisor reviewed the contract and advised on the contracting decision.

**Management's response:** *Management agrees with the finding. All contracts have been reviewed by the hospital's attorney; however, documentation of such was not evident. The hospital's legal counsel will document his/her review on all new contracts in the future.*

- Determine if there was documentation of board approval, if required.

Board approval was not required. According to the Board of Directors' signatory authority memorandum, the authority to contract has been delegated to Riverland's administrator.

**Management's response:** *Management agrees with the finding. No problems were noted. No further response is necessary at this time.*

## ***Payroll and Personnel***

1. Obtain and review the entity's written policies and procedures for payroll and personnel and determine if they address the processing of payroll, including reviewing and approving of time and attendance records, including leave and overtime worked.

According to management, Riverland did not have written policies and procedures for payroll and personnel.

**Management's response:** *Management agrees with the finding. The hospital has an employee handbook, detailing all pertinent payroll and personnel policies. Each new employee will be required to sign a statement that they have received and reviewed the employee handbook. All employees (including long-term employees) are required to*

***complete an annual education and orientation workbook, administered by Human Resources, which includes payroll, personnel and other hospital policies.***

2. Obtain a listing of employment contracts/agreements in force during the period under examination. Select the largest (dollar amount) employment contract and determine if all payments issued during the period under examination were done in strict accordance with the terms and conditions of the contract.

**We obtained the listing of employment contracts in force and selected the largest contract, noting all payments were made in accordance with contracts by comparing the total of all pay detail reports to the total allowed by the contract.**

**Management's response: Management agrees with the finding. No problems were noted. No further response is necessary at this time.**

3. Select the attendance and leave records for one pay period and:

- Determine if all employees are documenting their daily attendance and leave (e.g., vacation, sick, etc.). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

**We selected the pay period ended August 15, 2011, and noted all employees documented their daily attendance and leave.**

**Management's response: Management agrees with the finding. No problems were noted. No further response is necessary at this time.**

- Determine if supervisors approved, in writing, the attendance and leave of all employees.

**We selected the pay period ended August 15, 2011 and noted the following:**

- 148 employees reported time for the period. 41 employees' time and attendance records were not approved in writing and 4 employees approved their own attendance records
- 66 employees used personal leave time. 11 were not approved in writing.

**Management's response: Management agrees with the finding. In the future, all time and attendance records will be approved, in writing, by the respective manager supervising the employee.**

- Determine if the entity maintained accurate written leave records (e.g., hours earned, hours used and balance available) on all eligible employees.

Through our performance of the procedure above, we noted that Riverland maintained written leave records on eligible employees.

**Management's response: Management agrees with the finding. No problems were noted. No further response is necessary at this time.**

4. Select the five highest paid employees and determine if changes made to their hourly pay rates/salaries during the period under examination were approved in writing and in accordance with policy.

From the August 1, 2011 Riverland employee list with pay rates, we selected the five highest paid noncontracted employees based on hourly rates. For those with rate changes, we observed their rate increases were made in accordance with policy and were approved by Lana Stamper, Administrator, by her signature on the personnel change document.

**Management's response: Management agrees with the finding. No problems were noted. No further response is necessary at this time.**

5. Select the five largest termination payments (e.g., vacation, sick, compensatory time, etc.) made during the period under examination. Determine if the payments were supported by documentation, made in strict accordance with policy and/or contract and properly approved.

To select the five largest termination payments, we obtained the beginning of the year Benefit Hours and Dollars Report dated October 11, 2010. Management gave us the names of employees who left during the fiscal year. We selected the top five. We noted they were supported by documentation, made in accordance with policy, and approval is provided by either the Board President, Jim Graves, or Lana Stamper, Administrator.

**Management's response: Management agrees with the finding. No problems were noted. No further response is necessary at this time.**

6. Determine if any employees were also being paid as contract labor during the period of the examination.

Since contract labor and employees are both paid using the same type of payroll transaction, we determined no employees were also being paid as contract labor by sighting the payroll for the period ended August 15, 2011, and noting no employees were paid for over 80 hours (unless for legitimate overtime) and no employees were paid more than one time during the payroll period.

**Management's response:** *Management agrees with the finding. No problems were noted. No further response is necessary at this time.*